



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 14, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES RESIDENTIALLY BASED SERVICES PROGRAM PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency), which included a sample of transactions from Program Year (PY) 2013-14. The Department of Children and Family Services (DCFS) contracts with Five Acres to provide the Residentially Based Services (RBS) Program to children placed in Rate Classification Level 12 or 14 Group Homes and their families. RBS Program provides intensive mental health treatments, family reunification, and other supportive services to shorten their stay in Group Homes and obtain permanency.

The purpose of our review was to determine whether Five Acres appropriately accounted for and spent RBS Program funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and applicable guidelines.

DCFS paid Five Acres approximately \$2.7 million for PY 2013-14 on a fee-for-service basis. Five Acres provides services in the Fifth Supervisorial District.

Results of Review

Five Acres maintained adequate controls over their cash and fixed assets, and maintained documentation to support the RBS Program expenditures reviewed. However, Five Acres did not have encryption on their computing devices.

Five Acres' attached response indicates that they are evaluating software and other potential solutions to further protect their clients' private and privileged information.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with Five Acres and DCFS. Five Acres' attached response (Attachment II) indicates agreement with our findings and recommendations. DCFS management will work with Five Acres to ensure our recommendations are implemented.

We thank Five Acres management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:EB:sk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
John Reith, Board Chair, Five Acres
Chanel W. Boutakidis, Chief Executive Officer, Five Acres
Public Information Office
Audit Committee

**FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY
RESIDENTIALLY BASED SERVICES PROGRAM
FISCAL COMPLIANCE REVIEW
PROGRAM YEAR 2013-14**

CASH/REVENUE

Objective

Determine whether Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were prepared, and reviewed and approved by Agency management in a timely manner.

Verification

We interviewed Five Acres' personnel, and reviewed their financial records and December 2014 bank reconciliations for two bank accounts.

Results

Five Acres properly recorded revenue in their financial records, deposited their Department of Children and Family Services (DCFS) cash receipts timely, and the bank reconciliations were prepared, and reviewed and approved by Agency management in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Five Acres developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the Residentially Based Services (RBS) Program were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Five Acres' personnel, and reviewed their Plan and financial records for 26 non-payroll expenditures, totaling \$26,842, that the Agency charged to the RBS Program from December 2013 through December 2014.

Results

Five Acres developed their Plan using an appropriate cost allocation methodology, allocated shared costs appropriately, and maintained documentation to support the RBS Program expenditures reviewed. However, Five Acres allocated \$160 in fundraising expenditures to the RBS Program. The Office of Management and Budget Circular A-122 Attachment B, Section 25 states that fundraising activities are unallowable expenditures. Although the questioned amount was immaterial, Five Acres needs to ensure unallowable expenditures are not charged to the RBS Program.

Recommendations

Five Acres The Boys' and Girls' Aid Society of Los Angeles County management:

- 1. Repay the Department of Children and Family Services \$160 for the unallowable costs charged to the Residentially Based Services Program.**
- 2. Ensure only allowable expenditures are charged to the Residentially Based Services Program.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Five Acres' fixed assets and equipment purchased with RBS Program funds were used for the Program and adequately safeguarded.

Verification

We interviewed Five Acres' personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of four items purchased with RBS Program funds to verify the items exist and were being used for the Program.

Results

Five Acres adequately safeguarded and used the items reviewed for the RBS Program.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether Five Acres charged payroll expenditures to the RBS Program appropriately, and maintained time studies and personnel files as required.

Verification

We compared the payroll expenditures for 14 employees, totaling \$27,202 for November 2014, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed RBS time study reports and personnel files for the 14 employees.

Results

Five Acres appropriately charged payroll expenditures to the RBS Program, and maintained time studies and personnel files as required.

Recommendation

None.

ENCRYPTION CONTROLS**Objective**

Determine whether Five Acres maintained encryption software to protect confidential and Personally Identifiable Information (PII).

Verification

We interviewed Agency personnel, and reviewed their policies and procedures.

Results

Five Acres did not maintain encryption software. Five Acres management indicated that all Protected Health Information (PHI) is maintained on a secure server not in each device's hard drive. However, Five Acres needs to evaluate the need for encryption on individual office computers to ensure the PII and PHI of County participants are protected. The Auditor-Controller Contract Accounting and Administration Handbook Section B.3.0 requires contractors to encrypt automated records containing confidential information. The 45 Code of Federal Regulations Section 164.314 also requires that organizations with access to PHI needs to encrypt the information whenever deemed appropriate.

Recommendation

- 3. Five Acres The Boys' and Girls' Aid Society of Los Angeles County ensure that all Personally Identifiable Information and Protected Health Information are protected with encryption software.**

SEMI-ANNUAL EXPENDITURE REPORTS

Objective

Determine whether Five Acres' Program Year (PY) 2013-14 RBS Semi-Annual Expenditure Reports reconciled to their financial records.

Verification

We compared the Agency's PY 2013-14 RBS Semi-Annual Expenditure Reports to their financial records.

Results

Five Acres' PY 2013-14 Semi-Annual Expenditure Reports reconciled to their financial records.

Recommendation

None.



December 23, 2015

Mr. John Naimo
Auditor Controller
County of Los Angeles
Department Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Re: Five Acres - The Boys' and Girls' Aid Society of Los Angeles County – A
Residentially Based Services (RBS) Program Provider - Contract Compliance
Review.

Re: Compliance Review

Dear Mr. Naimo:

Audit Results:

Five Acres prepared their Plan in compliance with their County contract, allocated shared costs appropriately, and maintained documentation to support the RBS Program expenditures reviewed. However, Five Acres allocated \$160 in fundraising expenditures to the RBS program. The Office of Management and Budget Circular A-122 Attachment B, Section 25 states that fundraising activities are unallowable expenditures. Although the questioned amount was immaterial, Five Acres needs to ensure unallowable expenditures are not charged to the Program.

Recommendations

Five Acres The Boys' and Girls' Aid Society of Los Angeles County management:

1. Repay the Department of Children and Family Services \$160 for the unallowable costs charged to the Residentially Based Services Program.
2. Ensure only allowable expenditures are charged to the Residentially Based Services Program.

Five Acres Response:

We agree with this finding. The Controller will advise and work with the accounting personnel to ensure fundraising cost won't be allocated to any of our contracts. We will repay the Department of Children and Family Services \$160 for

the unallowable costs charged to the Residentially Based Services Program. This will be paid from our private donations since our Residentially Based Services Program has been underfunded since 2012.

Audit Results

Five Acres maintained the required insurance coverage, prepared the time studies accurately, and submitted their time studies to DCFS as required. However, Five Acres' office computers did not have encryption software. Five Acres management indicated that all Protected Health Information (PHI) is maintained on a secure server not in each device's hard drive. However, Five Acres needs to evaluate the need for encryption on individual office computers to ensure the PII and PHI of County participants are protected. The A-C Handbook Section B.3.0 requires contractors to encrypt automated records containing confidential information. The 45 Code of Federal Regulations Section 164.314 also requires that organizations with access to PHI needs to encrypt the information whenever deemed appropriate.

Recommendation

3. Five Acres The Boys' and Girls' Aid Society of Los Angeles County ensure that all Personally Identifiable Information and Protected Health Information are protected with encryption software.

Five Acres Response:

We currently rely on the Confidentiality policy that all employees sign and have the ability to "wipe" the hard drive if a laptop or mobile device is lost or stolen. We are in the process of evaluating software and other potential solutions to further protect the private or privileged information of our clients.

Regards,



Daniel Braun
Chief Financial Officer